

THE HIDDEN ECONOMY IN BULGARIA

DECEMBER 2002

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I. MAIN GOALS OF THE RESEARCH PROJECT

The main goal of the research project outlined in the present paper is to initiate systematic monitoring of the size and dynamics of the hidden economy in Bulgaria (HEM).

The project envisions conducting a series of representative surveys of the country's adult population and of the business sector at three-month intervals. This will make it possible not only to examine the dynamics of the problem, but also to collect reliable information about the differences in the attitudes of the *general population* and the *business community* to the manifestations and reasons for the development of the hidden economy in this country.

II. METHODOLOGICAL APPROACH

The precise measurement of the size and structure of the gray sector by sample method is a challenging research task for a number of reasons. It is therefore necessary to take into account certain important limitations on any attempt to explore the hidden economy.

Above all, these are the limitations imposed by the method itself, regardless of the specific topic of the research – a certain schematicity of the questions asked and the impossibility to always cover the problem exhaustively; subjective judgement of the researchers concerning the importance of the various aspects of the subject; respondents' reactions to certain questions and their motivation to respond honestly and truthfully.

In addition, however, the very task of “shedding light” over the unregistered, hidden, economy necessitates certain preliminary qualifications concerning the analysis of the data obtained. The conclusions reached through a survey of this kind should not be considered definitive or perceived as exact measurements of the share and essence of the hidden economy. Rather, they give an approximate idea primarily of the structure of the gray sector and the significance of the individual aspects of the problem – unreported incomes, suppressed turnover, unregistered work activity, unreported sale of home produced goods, etc.

As a rule, none of the familiar methods of exploring the hidden economy – through the national account system; by electric power consumption; through the so-called mirror statistics, etc., is in position to provide an exact measurement of the share of the gray sector. They all offer approximate estimates providing a general idea of the correlation between the unreported and the officially registered economy and allow studying the dynamics of the problem.

Similarly, the sample method offers a final, cumulative value of the share of unreported economic activity. Unlike the other methods, however, its advantage lies in the fact that it not only estimates the total value, but also the weight of the different sub-sectors and the “grayness” within them – for ex., in employment, the tax system, the various economic sectors (production, heavy industry, retail, etc.).

Exploring the changes in the structure of the gray sector makes it possible to draw important conclusions about the causes leading to the shrinking or growth of the hidden

economy. A number of recommendations could be formulated on this basis regarding the impact of the overall government policy and of specific political decisions on the population's economic activity and subjective attitudes.

III. BASIC THEORETICAL PRINCIPLES OF THE HIDDEN ECONOMY SURVEY

The past decade has been marked by increasing interpretation on the part of economists, sociologists, journalists, legal experts, and members of government of the relatively unfamiliar terminology concerning the economy, which is defined as: *gray, hidden, illegal, informal, black, shadow, unregistered, underground, parallel, etc., economy*. The not quite clear-cut definition of the categorizing tools is accounted for by the insufficient clarity regarding the very essence of this phenomenon and by the multitude of existing measurement methodologies. Yet the study of the hidden economy needs to be based on a proper definition. On the one hand, such a definition has to take in the common features of the numerous activities covered by the term "hidden economy". On the other hand, it should allow relatively independent interpretation of some of these activities.

It is in fact quite difficult to pinpoint the boundaries of this complex social-and-economic phenomenon. In some cases one and the same term stands for different concepts, and in other cases different categories are applied in reference to the same notion.

The present paper does not intend to delve into the complex subject of the content and limits of the concept of "hidden economy" and the related terms ("gray", "black", "informal", "shadow", "parallel", etc. economy). Its more immediate task is to propose a working definition of the term "hidden economy" based on relatively clear-cut criteria. This working definition should serve to outline the research area, to structure the basic spheres of the hidden economy, and formulate indicators for the monitoring of these spheres.

Our proposal is to base the definition of the term on two interrelated criteria:

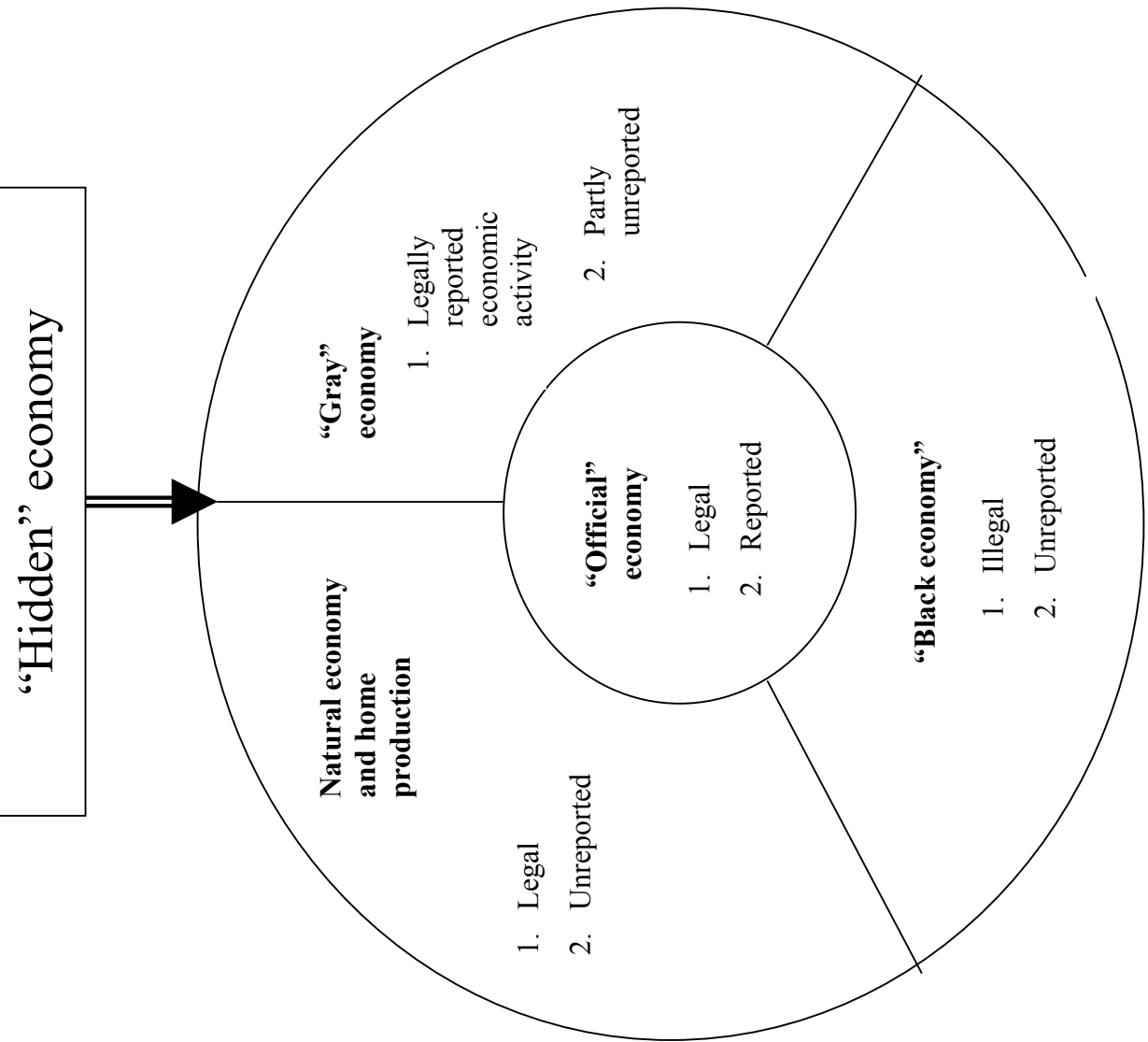
1. The extent to which a given economic activity is legally legitimate.
2. The extent to which a given economic activity is reported and covered by the official statistics and the concerned state institutions (tax and customs administration, local government authorities, etc.).

Based on these criteria it is possible to distinguish four spheres:

1. **Official economy** (it is "legal" and "reported")
2. **Natural economy and home production** ("legal" and "unreported")
3. **"Black" economy** ("illegal" and "unreported")
4. **"Gray" economy** (in which legitimate economic agents illegally suppress and fail to report part of their business activity).

These spheres are schematically presented in *Figure 1*. The term "**hidden economy**" comprises the "natural", "black", and "gray" economy where economic activity is not officially reported.

SCHEME 1



IV. OUTPUTS OF THE HIDDEN ECONOMY MONITORING (HEM)

The outputs of the monitoring of the hidden economy (HEM) include:

1. *Annual assessment report on the hidden economy in Bulgaria.* It will present the summarized findings of the surveys conducted throughout the year and will show the evolution of the problem and any changes in the gray sector of the economy.
2. *An index system to monitor the size and dynamics of the hidden economy.* A system of synthetic indicators has been designed on the basis of the pilot survey data, which encompasses different aspects of the hidden economy and allows exploring the dynamics and changes in its size and characteristics.

Hidden Economy Index Methodology:

The Hidden Economy Indexes constitute a system of synthetic indicators. The main objective in constructing these indexes is to reduce the multidimensionality of the measurement of the different aspects of the hidden economy to a limited set of *easily interpretable summarizing indicators*. Such an approach has two basic advantages:

- The employment of synthetic indicators is a prerequisite for establishing time series and thus allows monitoring the dynamics of the hidden economy;
- Synthetic indicators facilitate considerably the presentation of survey findings in an accessible form.

The method used to construct the indexes includes the following steps of summarizing the operative values:

First, a rank (ranging between 0 and 10) is assigned to each value of the indicator showing a given share of the hidden economy.

Secondly, when an indicator is measured on a four- or five-point scale, a rank is assigned to each of its values according to the following scheme:

Indicator with five-point scale: value 0 is assigned to the first in line value, rank 2.5 – to the second; 5 – to the third, 7.5 – to the fourth and 10 – to the last, fifth value.

Indicator with four-point scale: value 0 is assigned to the first in line value, rank 3.33 – to the second; 6.66 – to the third and 10 – to the last, fourth value.

Indicators that are presented with interval scales are grouped in advance in four- or five-scale variables. The grouping has been done in accordance with the minimum and the maximum frequencies.

The main objective of this procedure is to make the different variables comparable and to restrict their values within the 0–10 interval.

Thirdly, the values of the given variable at the lowest level are multiplied by the respective assigned rank. Then the weighted values are summed up for each of the different variables and are then divided by the sum of the ranks. Thus, a mean value is estimated for each of the operative variables that participate at the low level. Getting to a higher level is done by subsequent averaging of the separate variables until a single value is obtained for the respective index.

Fourthly, in order to construct aggregate indexes, the values of the individual variables are normalized by adjusting their values to fall within the 0–10 range. The closer the value of the index is to 0, the lower is the level of the hidden economy, and values closer to 10 indicate the highest level.

The *index values* obtained on the basis of the pilot survey data are presented in the final section of the analysis. (Section VI. Hidden Economy Indexes, December 2002)

V. FINDINGS OF THE PILOT SURVEY OF THE HIDDEN ECONOMY IN BULGARIA

The present paper is intended to sum up and analyze the findings of the pilot sociological survey on the problems of the gray sector in this country. 1,079 respondents have been surveyed by the method of the face-to-face interview. The survey was conducted in the period September 28, 2002 – October 14, 2002 and is representative of the country's population aged 18 and over.

I. LABOR RELATIONS

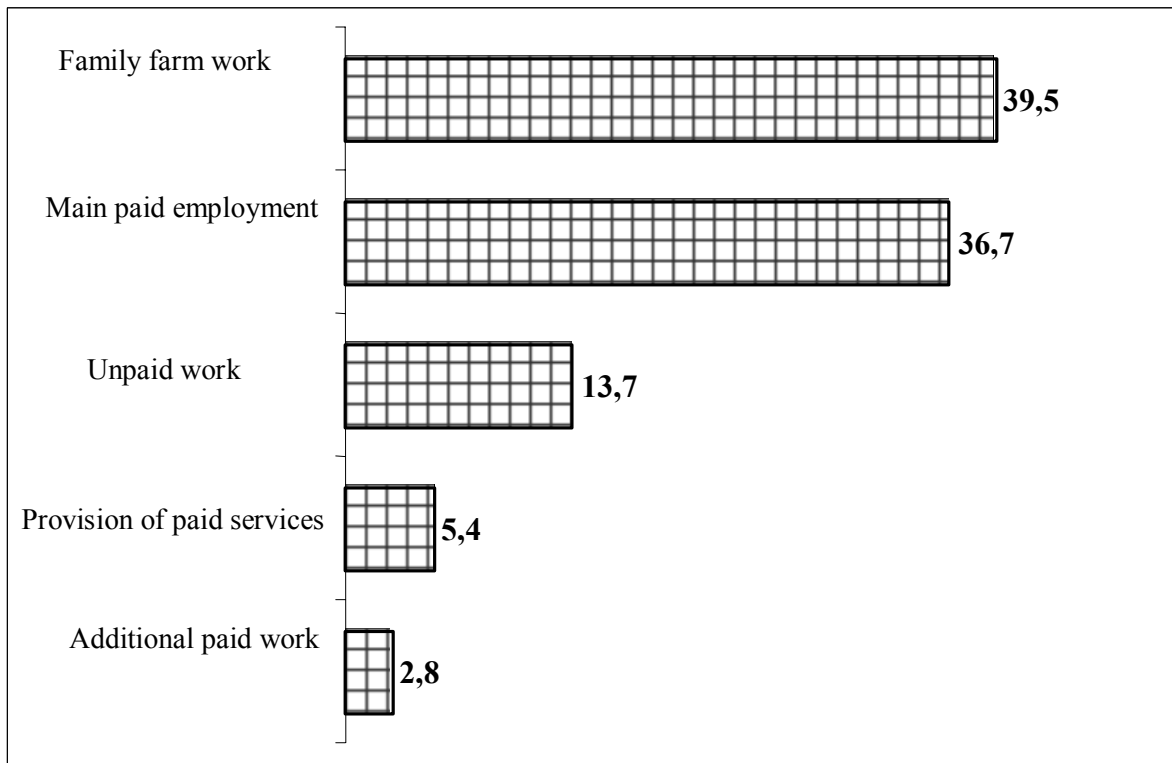
1. RATE OF EMPLOYMENT FOR THE PREVIOUS MONTH

One of the main indications of the size of the gray economy is the rate of involvement in unreported work activities. They are commonly regarded as minor and unimportant but in fact they concern a significant part of the country's population of working age and bring in non-negligible revenues.

The structure of the economically active population has a considerable effect on the size of the gray economy. In a country like Bulgaria, which is characterized by ageing population and low standard of living, with high retirement insurance and social security contribution rates, there is strong economic motivation to join the gray sector.

In view of the fact that 50.5% of the people are of working age, while the official rate of unemployment is 17.3%, it is hardly surprising that only 36.7% of those interviewed said they were in full-time employment in the past month. Since the other types of employment are hardly ever officially reported, this actually means that *more than half of the country's population is involved in some form or another in the gray sector of the economy.* (Figure 1)

FIGURE 1. EMPLOYMENT IN THE PAST MONTH (%)

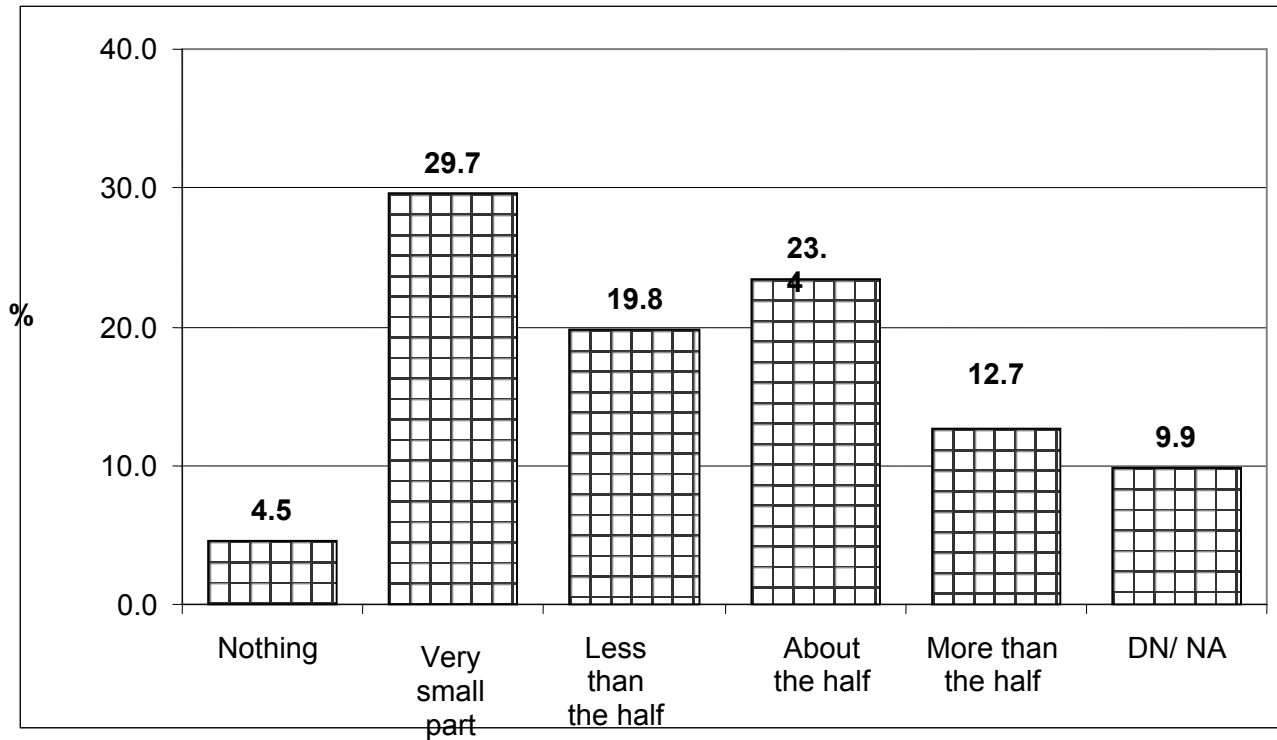


Base: N= 1077

Of course, it should be noted that “unreported” does not stand for “illegal” economic activity. It is not officially registered and the due taxes on it are not paid, but it does fall within economic activity allowed by law. More importantly, however, this type of work activity in fact produces a significant amount of national product. For certain sections of the population, those living in the villages and small towns, for example, the percentage of those engaged in home production or unpaid work exceeds three fourths of the active population.

Initially an additional work activity, *home production*, which for the most part is not registered officially, proved to have become the principal source of livelihood for many people. In excess of one third of all respondents said more than half of the food consumed by their household in the past year was home-produced, and in the villages and small towns this share exceeded 50%. (*Figure 2*)

FIGURE 2. SHARE OF HOME PRODUCE CONSUMPTION IN TOTAL HOUSEHOLD CONSUMPTION



Base: N= 651

Besides engaging in family farm work, many people supplement their income through *additional work activity* and the provision of *paid services* – 8.2%. Compared to the other types of employment, the shares of those who said they were engaged in *additional work activity* and the provision of *paid services* – 2.8 and 5.4%, respectively – appeared implausibly low. This fact may be accounted for by respondents' readiness to report incomes from the various types of activities. Unlike the provision of *unpaid services* and *home production*, the reporting of which is commonly believed unnecessary, the failure to register *additional work activity* and *paid services* is perceived as illegal income concealment. There is reason to assume that the obtained percentages are somewhat understated and the actual shares of those engaged in such activities are considerably higher.

The most typical paid services are: home maintenance (cleaning, groundwork, lawn mowing, etc.); repair of housing/buildings (carpentry, plumbing, painting, etc.); transportation (transport, deliveries, moving services, etc.); repairs (cars, bicycles or other vehicles; electric appliances, etc.) and care-providing services (looking after children, elderly people, etc.). (Table 1)

TABLE 1. EMPLOYMENT WITH PAID SERVICES: (%)

Home maintenance (cleaning, groundwork, lawn mowing, etc.)	35.4
Repair of housing/buildings (carpentry, plumbing, painting, etc.)	34.5
Transportation (transport, deliveries, moving services, etc.)	13.0
Repair of goods (cars, bicycles or other vehicles; electric appliances, etc.)	12.6
Home care services (looking after children, elderly people, etc.)	7.0
Leasing property (apartments, rooms, stores, garages, etc.)	5.5
Professional services (psychologists, psychoanalysts, doctors, accountants, architects, mathematicians, etc.)	5.1
Sale of goods (telemarketing, door-to-door sale)	3.9
Hairdressing, manicure, sewing, shoe repair, etc. services	3.6
Manufactured goods (engravings, wood carvings, welded goods, etc.)	1.9
Catering services	1.6
Other	10.9
<i>Base</i>	<i>59</i>

2. CONCLUDED CONTRACTS WITH EMPLOYERS

The regulation of labor relations between employers and employees through officially concluded contracts is an important indicator of the share of the gray economy not only as regards employment. The presence of employment contracts also gives an idea of the share of people who are uninsured or pay too low social security contributions, as well as the suppressed company turnovers.

The data reveal substantial differences in terms of *main* and *additional employment*. The written contracts concluded are twice as many under the main employment compared to the additional paid work. (Table 2)

TABLE 2. PRESENCE OF WRITTEN CONTRACT WITH EMPLOYER

	Main employment	Additional paid work
Yes	86.0	39.2
No	5.7	50.4
Self-employed, freelance professional	2.9	3.0
Business owner/coowner	5.4	7.5
<i>Base</i>	<i>393</i>	<i>31</i>

3. CONTRACTS WITH “SECRET CLAUSES”

Regarding the officially registered work activities and the presence of written employment contracts, the hypothesis was once again confirmed that with this kind of surveys, which include questions that respondents may find awkward or embarrassing, the resulting data should be assumed to be understated.

Asked directly whether they had a written contract with their main employer, barely 6% said they did not have one and only 12.2% admitted they were employed under a contract with “secret clauses”, i.e., they received remuneration higher than stated in the contract. When the question was posed in a roundabout way, e.g. on what amount they pay social security, the rate of those who said this sum was smaller than their actual remuneration grew considerably – 28%. (*Tables 3 and 4*)

TABLE 3. PAID OUT HIGHER REMUNERATION THAN STATED IN THE CONTRACT

	For main employment
Yes	12.2
No	87.8
<i>Base</i>	<i>329</i>

TABLE 4. SOCIAL SECURITY BASE AMOUNT

	For main employment
<i>The minimum working salary, although the total remuneration I receive is higher</i>	<i>17.0</i>
The minimum working salary, which is what I am actually paid	5.4
<i>The amount stated in my employment contract, although the actual remuneration I receive is higher</i>	<i>11.0</i>
The amount stated in my employment contract, which is what I am actually paid	64.0
Other	2.7
<i>Base</i>	<i>312</i>

Despite the small number of people who said they were engaged in additional paid work, which does not allow drawing positive conclusions, it is worth noting the considerable difference between the types of employment contracts concluded for the main employment and the additional work activity. Barely 8.4% of those engaged in additional paid work had signed permanent contracts with their employers. All the rest were employed under *fixed term* or *specific task contracts*. (*Table 5*)

TABLE 5. TYPE OF EMPLOYMENT CONTRACT FOR PAID WORK ACTIVITY

	For main employment	For additional paid work
Permanent employment contract	90.5	8.4
Fixed term contract	8.2	62.6
Specific task contract	1.0	29.0
Other	0.3	-
<i>Base</i>	<i>334</i>	<i>11</i>

4. SOCIAL SECURITY AND HEALTH INSURANCE

The difference between the two types of employment – main and additional one – became all the more conspicuous under the questions concerning the *social security* and *health insurance* contributions. In the case of the main employment only 10.6% said they did not have social security coverage, and 6.6% did not have health insurance. Under the additional employment, on the other hand, over three fourths admitted they were uninsured. (*Table 6*)

TABLE 6. SOCIAL SECURITY AND HEALTH INSURANCE CONTRIBUTIONS

	Social security		Medical/health insurance	
	Main employment	Additional employment	Main employment	Additional employment
Paid by the employer	71.8	13.7	66.0	15.0
Paid by the respondent	9.1	4.0	11.4	7.5
Paid by the employer and the respondent	8.5	-	16.1	3.4
Not paid	10.6	82.3	6.6	74.2
<i>Base</i>	<i>382</i>	<i>29</i>	<i>376</i>	<i>28</i>

II. SUPPRESSED TURNOVER

1. ISSUING TAX RECEIPTS FOR PURCHASES MADE

One of the daily manifestations of the hidden economy is the *non-issuing of tax receipts* – cash receipts or invoices – for goods or services paid for. The concealment of turnover in this manner proved far more common in the services sector than in retail.

There emerged substantial differences in terms of durables (*Table 7*) and non-durables (*Table 8*).

Within the *durables* category, tax receipts were issued most rarely for the purchase of *cars*, *cellular phones*, *home furniture*, and *stereo systems*. One in four of those who purchased a car in the past two years had not received a tax receipt and two out of ten respondents had not received a tax receipt for the purchase of a cellular phone. By contrast, the shares of those who had not received receipts for the remaining product categories were insignificant, and in some cases, for ex. color TVs, automatic washing-machines, and vacuum-cleaners, all of those who had made purchases had been issued proper documents. This difference can be accounted for by the fact that cars and cellular phones are commonly bought second-hand, whereas in the case of “white” and “black goods”, consumers predominantly purchase new appliances from stores.

TABLE 7. GOODS PURCHASED IN THE PAST TWO YEARS (%)

	Have purchased	Have not received cash receipts	Base*
Car	2.6	28.0	28
Cellular (mobile) phone	10.1	20.5	109
Furniture for your home	5.4	13.2	58
Stereo system	1.3	10.4	14
Personal computer	2.0	5.3	22
Refrigerator	3.7	2.7	40
Color TV	5.0	-	54
Automatic washing-machine	4.2	-	46
Vacuum-cleaner	3.6	-	39
CD player	1.7	-	19
Dish washer	0.3	-	3
<i>Base</i>	1077	<i>*Those who purchased the respective goods</i>	

2. ISSUING OF TAX RECEIPTS FOR PARTICULAR PRODUCT CATEGORIES

In the case of non-durables, the non-issuing of tax receipts is a quite common practice, particularly for the purchase of *alcohol and tobacco products* and *cosmetics and toiletries*. Some kind of tax receipt is issued considerably more often for *foodstuffs, apparel and shoes*, and *books and textbooks*, but even in these cases barely one third of the respondents said they had been given a receipt every time they had made such a purchase.

One in four of those who had purchased such goods in the past three months had only received a document in some cases or not at all. The share of those who had not received cash receipts was particularly high in the case of purchase of *alcohol and tobacco products* – 22%. Since these are excise goods, the potential losses to the state budget under the retail of such products are quite substantial.

TABLE 8. FREQUENCY OF TAX RECEIPT ISSUING IN THE PAST THREE MONTHS FOR THE FOLLOWING PRODUCT CATEGORIES

	<i>Foodstuffs</i>	<i>Apparel and shoes</i>	<i>Alcohol and tobacco products</i>	<i>Toiletries and cosmetics</i>	<i>Books and textbooks</i>
In each case	34.5	34.0	24.9	29.9	33.7
In most cases	32.5	25.3	20.5	26.2	22.9
In about half of the cases	9.0	8.4	10.1	10.7	7.3
In some cases	18.5	22.4	22.5	24.4	22.4
Never	5.6	9.9	22.0	8.7	13.6
<i>Base</i>	<i>1022</i>	<i>470</i>	<i>558</i>	<i>696</i>	<i>306</i>

3. ISSUING OF TAX RECEIPTS FOR SERVICES PROVIDED

As regards the use of paid services, the non-issuing of tax receipts is even more commonplace. Despite the small number of the users of some of the services, from which it would be statistically incorrect to draw general conclusions, there is reason to assume that the **“gray area” in the services sector is at least twice as big than in retail**. The mean percentage of those who had not been issued cash receipts for the services used was 68.4%.

In excess of two thirds of the users of *professional services* and *repair of goods* were not issued any tax receipts. For services such as *repair of housing/buildings* and *hairdressing and sewing services*, this share reached 87.1 and 84.3%, respectively. (Table 9)

These figures indicate that an important sector of the economy is almost entirely “gray”. In fact, neither its actual turnover, nor its workforce are detected and registered by official statistics.

TABLE 9. RECEIPT ISSUING FOR SERVICES USED IN THE PAST MONTH (%)

	Users	Were not issued a tax receipt	<i>Base*</i>
Hairdressing, manicure, sewing, shoe repair services	25.9	84.3	266
Professional services (psychologists, psychoanalysts, doctors, accountants, architects, mathematicians, etc.)	13.1	67.0	126
Repair of goods (repair of car/bicycle or other vehicle, repair of electric appliances, etc.)	7.3	69.7	69
Transportation services (transport, deliveries, moving services)	6.2	42.5	61
Repair of housing/buidlings (carpentry, plumbing, painting, etc.)	5.0	87.1	48
Private lessons (dance, foreign languages, sports, etc.)	2.2	68.6	22
Renting property (apartments, rooms, stores, garages, etc.)	1.8	41.5	18
Catering services	1.7	31.0	17
Home care services (looking after children, elederly people, etc.)	0.9	84.0	7
Entertainment services for weddings, parties, events (musicians, bands, DJs, singers, photographers, waiting staff, etc.)	0.7	35.8	6
Home maintenance (cleaning, groundwork, lawn mowing, etc.)	0.6	46.5	6
<i>Base</i>	<i>1077</i>	<i>*Those who used the respective service</i>	

III. INCOME REDISTRIBUTION

1. FEES AND TAXES PAYMENT RATE

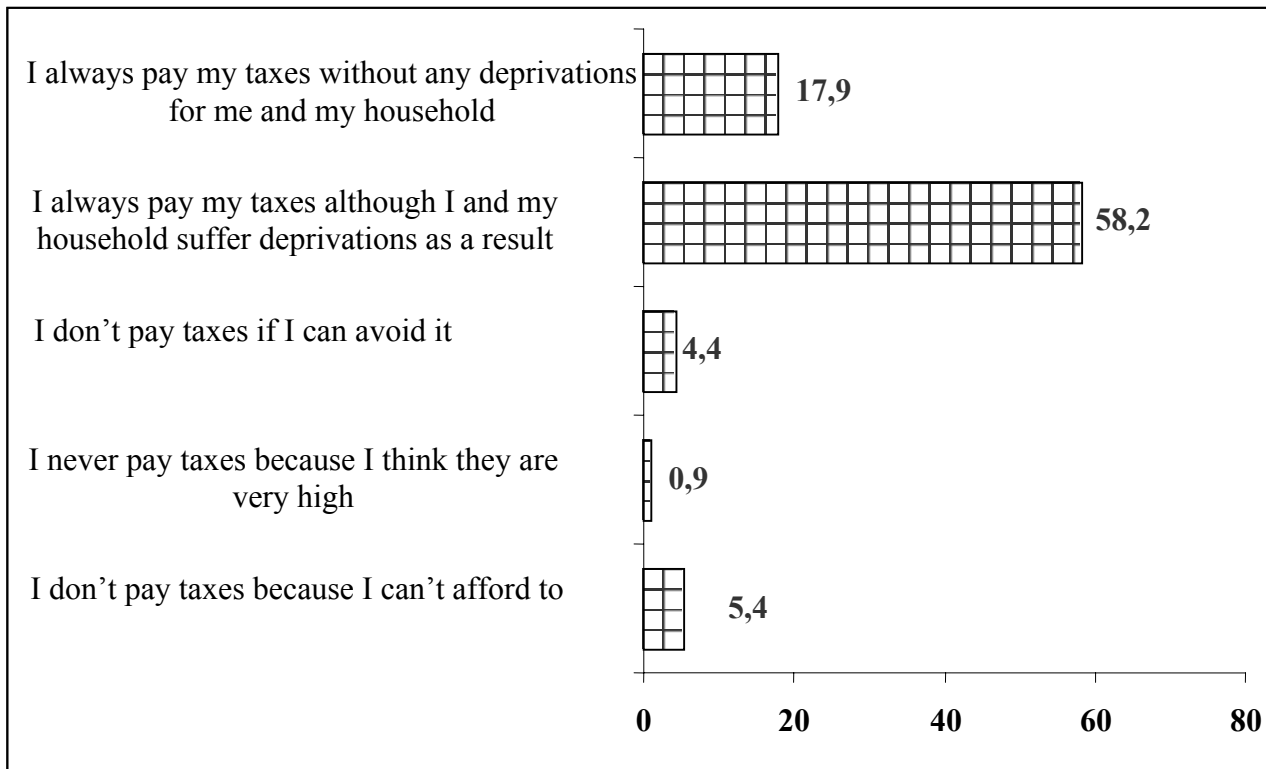
Unlike the retail and the services sectors, where the non-issuing of tax receipts is a common practice in the interest of retailers and typically considered “normal” by consumers, as regards the payment of due utility fees and bills, respondents demonstrated an altogether different subjective attitude. ***In excess of 90% of the people said they always strive to pay their bills, although to more than two thirds this entailed personal and household deprivations.***

TABLE 10. SUBJECTIVE ATTITUDES TO THE PAYMENT OF UTILITY BILLS AND FEES (%)

	Monthly bills and fees				
	Electricity	Water	Telephone	Heating	Gas
I always pay my bills and this does not lead to any deprivations for me and my household	20.9	22.9	24.9	19.1	31.0
I always pay my bills although I and my household suffer deprivations as a result	70.4	67.2	68.1	69.9	60.0
I pay my bills when I get a warning that the service will be cut off and I can't avoid it	5.5	5.9	4.3	6.8	5.1
I never pay my bills because I think they are very high	0.2	0.4	0.2	-	-
I don't pay my bills because I can't afford to	3.0	3.5	2.5	4.2	3.9
<i>Base</i>	1010	1005	811	561	125

Similarly to the utility bills, regarding taxes the ***prevailing attitude was to duly and promptly pay the taxes owed.*** Any existing “grayness” in this sector should probably not be attributed to the wish to evade taxes and avoid one’s obligations but to the objective weight of the tax burden and the low standard of living, the principal consequence of which is the actual inability to pay taxes and bills.

FIGURE 3. SUBJECTIVE ATTITUDES TO THE PAYMENT OF TAXES (%)



Base N=1077

2. UNPAID VERSUS PAID TAXES

The declared readiness to duly pay the taxes owed found confirmation in the share of paid, versus unpaid, taxes – **90% of those liable for the respective tax said they had paid in full their income tax, real property tax and personal property tax.**

TABLE 11. PAID SHARE OF TAXES OWED FOR THE PREVIOUS YEAR (%):

	None	One fourth	Half	Three fourths	In full	Base*
Household members' income tax	4.6	0.3	2.6	1.0	91.4	306
Real property tax (family housing, holiday house, plot of land, etc.)	5.3	0.4	3.0	1.8	89.5	750
Tax on movable assets	3.3	-	0.7	-	96.1	308

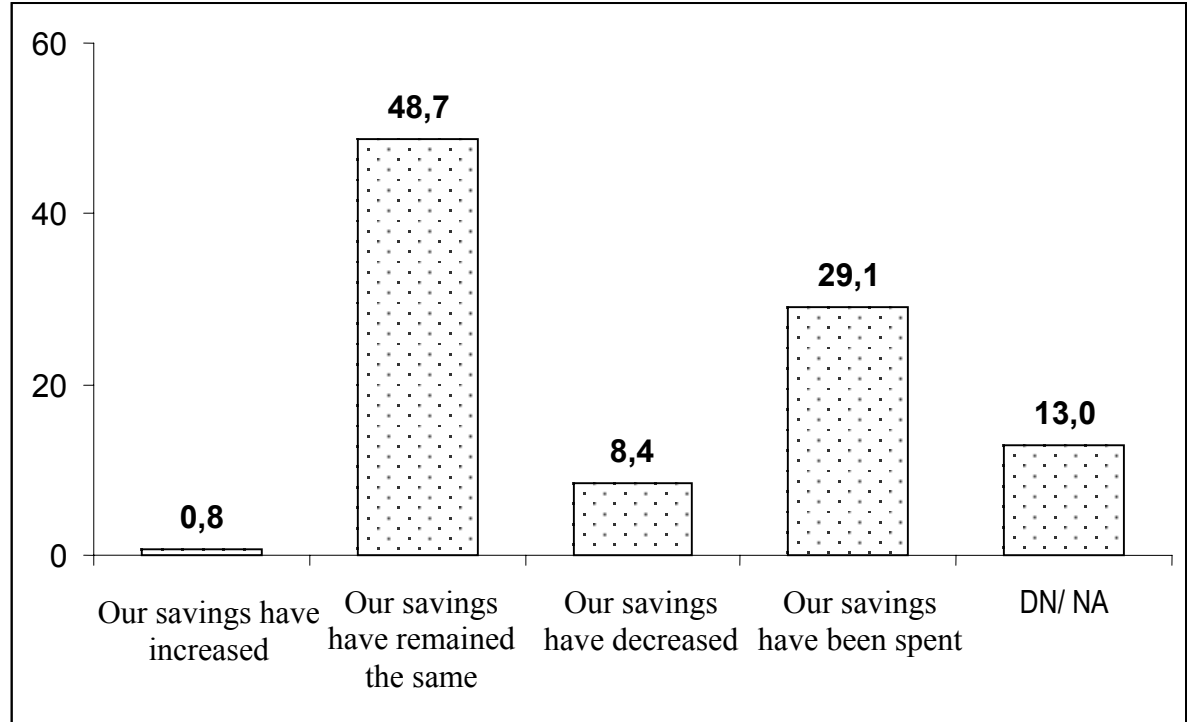
* Those liable for such tax

IV. SAVINGS

Even though an indirect indicator, the size of the population’s savings and their dynamics provide information about the standard of living and about the economic conditions in which the hidden economy operates.

As evident from the data in *Figure 4*, insofar as there is any movement, it is downwards. For one in two households the size of their savings had not changed compared to the previous year. Three out of ten people said their household savings had been spent over the previous year, and 8.4% said they had decreased. ***The percentage of those whose savings had increased was extremely small*** and fell within the limits of statistical error.

FIGURE 4. ASSESSMENT OF HOUSEHOLD SAVINGS VERSUS PREVIOUS YEAR (%)



Base N=1077

V. NATURAL ECONOMY

To nearly one in two Bulgarians (39.5%) work in the natural economy remains one of the main types of employment. Activity of this kind essentially serves two purposes. On the one hand, it provides food for a large number of the households, and on the other hand, it supplements the family budgets by generating additional income.

- Family farm work constitutes an alternative source of employment. Nearly one in four of those who said they did such work had some other main employment.
- ***Family farm work is essentially an active strategy for coping with the crisis, particularly in the smaller towns and rural communities.*** Overall, in excess of 80% of those who said they did such work lived in small towns and rural areas. Fewer than 20% lived in big cities and those living in Sofia barely made up 1.4%.
- ***In the settlements with the smallest number of inhabitants employment in the natural economy can actually be defined as full.*** In the underdeveloped regions the lack of employment alternatives is the chief reason for people to take up such work. The average number of workdays per month for the people living in settlements with a population of up to 1,000 was 25.3 days. In these communities, people worked for 5 hours per day on average.

TABLE 12. TYPES OF PRODUCTS AND AVERAGE ANNUAL HOME PRODUCTION OUTPUT OF STAPLE FOODS

	%	Mean	Base*
Fruits and vegetables	34.9	117.29 kg	205
Home-canned home-grown fruit, vegetables, meat	30.9	101.14 kg	215
Eggs	24.4	367.29	156
Meat	19.2	130.07 kg	134
Grapes (vines)	16.9	229.55 kg	120
Milk	16.0	721.17 l.	107
Alcohol	12.0	127.94 l.	88
Cheese	10.6	39.22 kg	72
Water and honey melons	8.5	195.17 kg	48
Bread	1.7	186.14 kg	10
Base	1077	*Those producing the respective product	

On the whole, the output of home production is chiefly made up by agricultural products. Animal-breeding and animal products can be said to be a secondary area of activity.

TABLE 13. SHARE OF HOME PRODUCTION OUTPUT INTENDED FOR SALE (%).

	None is for sale	About 1/4	About 1/2	About 3/4	All of it	Base*
Bread	100.0	-	-	-	-	<i>19</i>
Milk	68.6	1.8	7.9	15.1	6.7	<i>171</i>
Cheese	94.9	2.5	1.8	0.8	-	<i>111</i>
Fruits and vegetables	94.2	0.8	2.5	1.7	0.8	<i>362</i>
Home-canned home-grown fruit, vegetables, meat	99.1	-	0.9	-	-	<i>324</i>
Eggs	93.9	2.3	2.3	1.5	-	<i>256</i>
Alcohol	99.2	-	0.8	-	-	<i>125</i>
Water and honey melons	93.5	-	3.2	3.2	-	<i>90</i>
Grapes (vines)	98.4	1.1	-	-	0.6	<i>177</i>
Meat	92.5	0.6	3.7	2.8	0.5	<i>204</i>

** Those who produce the respective products*

For the most part “home producers” intended their output for home consumption.

Milk appeared as the most commonly sold product. However, the reasons are hardly of an economic nature. Rather, it is the impossibility to store this perishable commodity for a long time and the generally sufficient quantity for home consumption that account for the fact that 30% of those who produce it sell differing amounts of this product.

In this sense, home production can hardly be assigned negative value on a national level. On the one hand this element of the “gray” economy does run against the interests of official food producers and exporters but on the other hand, it constitutes an *active coping strategy of the people in the smaller settlements and underdeveloped regions*. Any policies aimed at countering anti-social phenomena, including the hidden economy, need to take this into account.

VI. HIDDEN ECONOMY INDEXES, DECEMBER 2002

FIGURE 5 GENERAL INDEX STRUCTURE

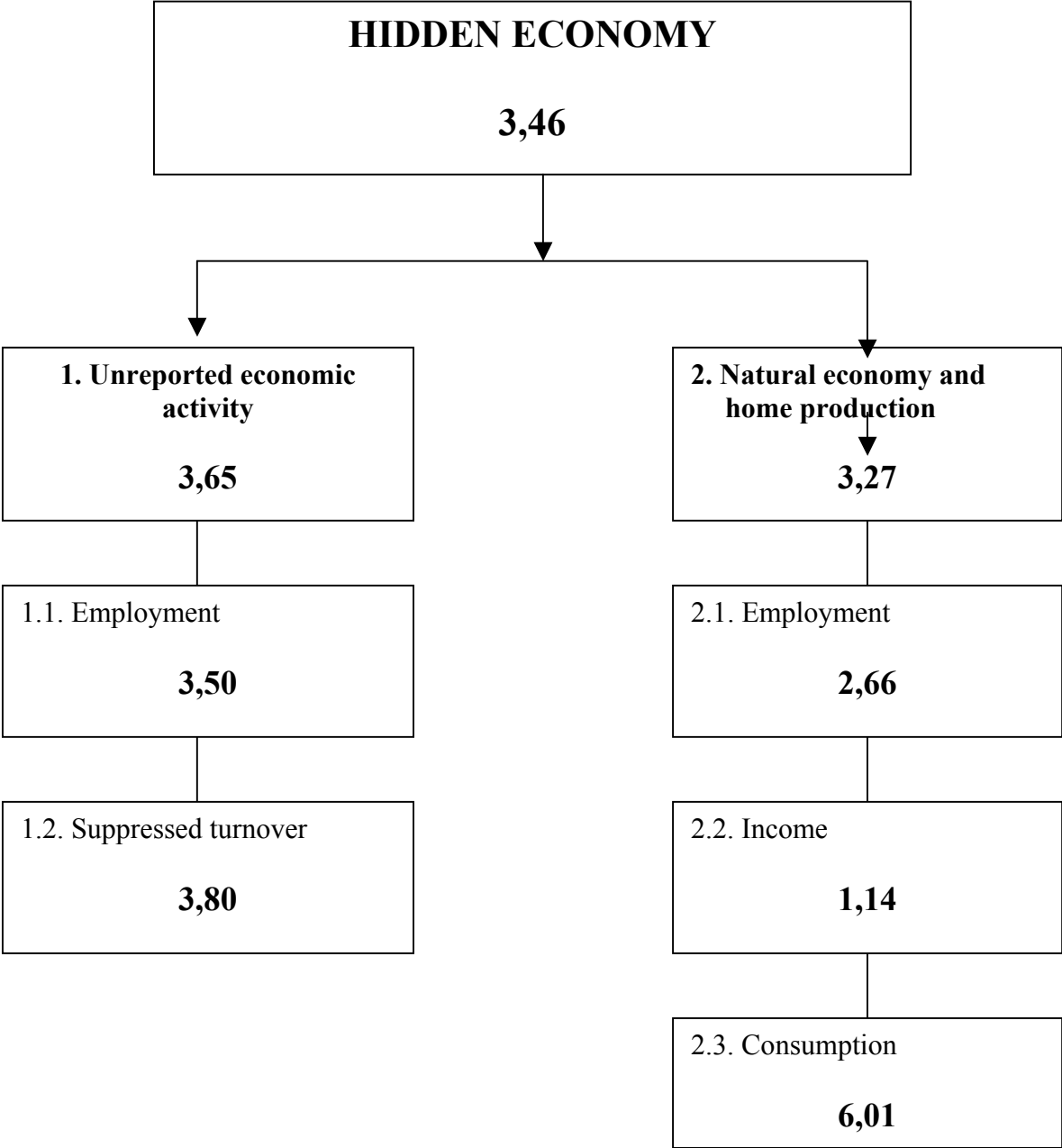


FIGURE 6 UNREPORTED ECONOMIC ACTIVITY

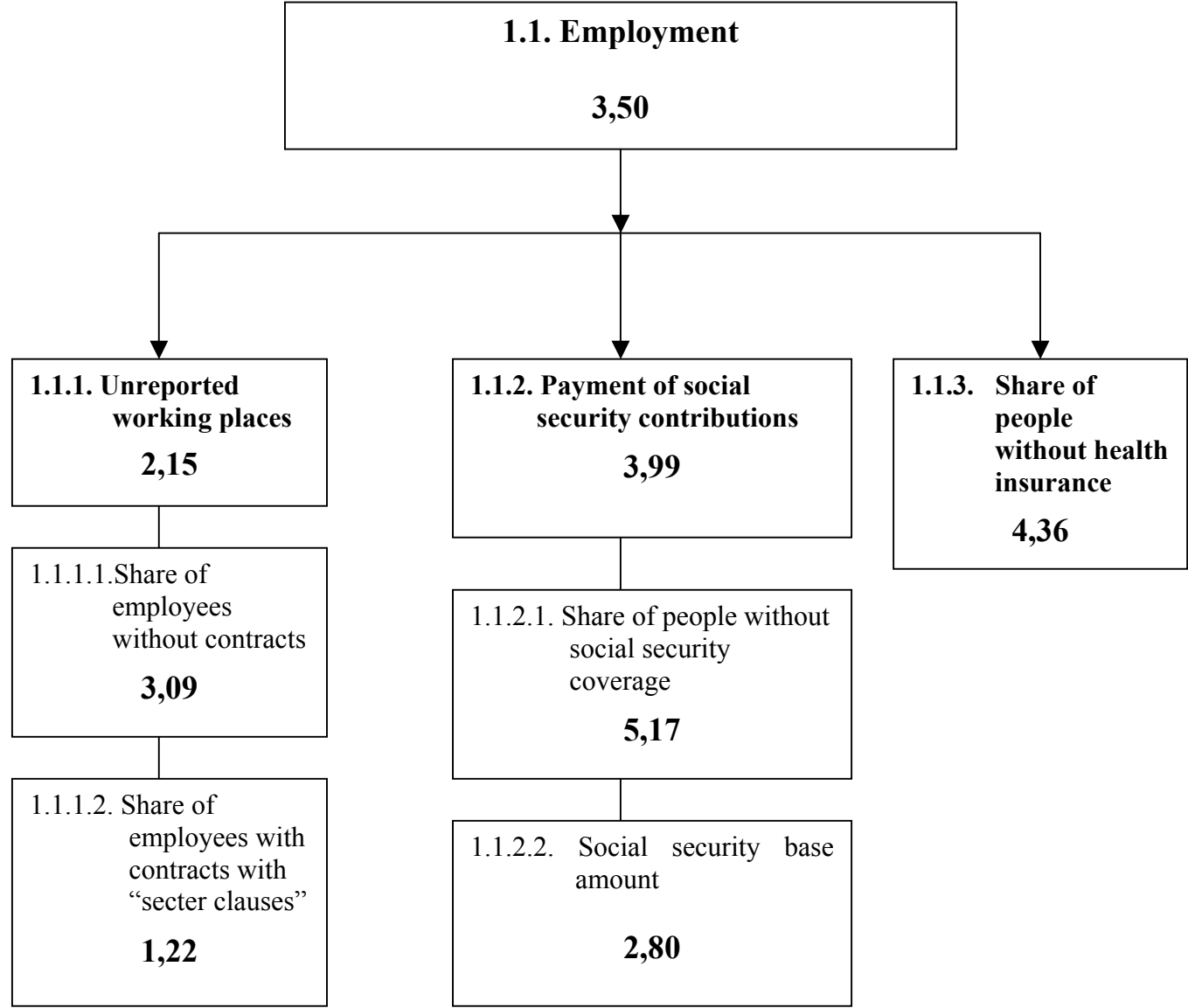


FIGURE 7 UNREPORTED ECONOMIC ACTIVITY (CONTINUED)

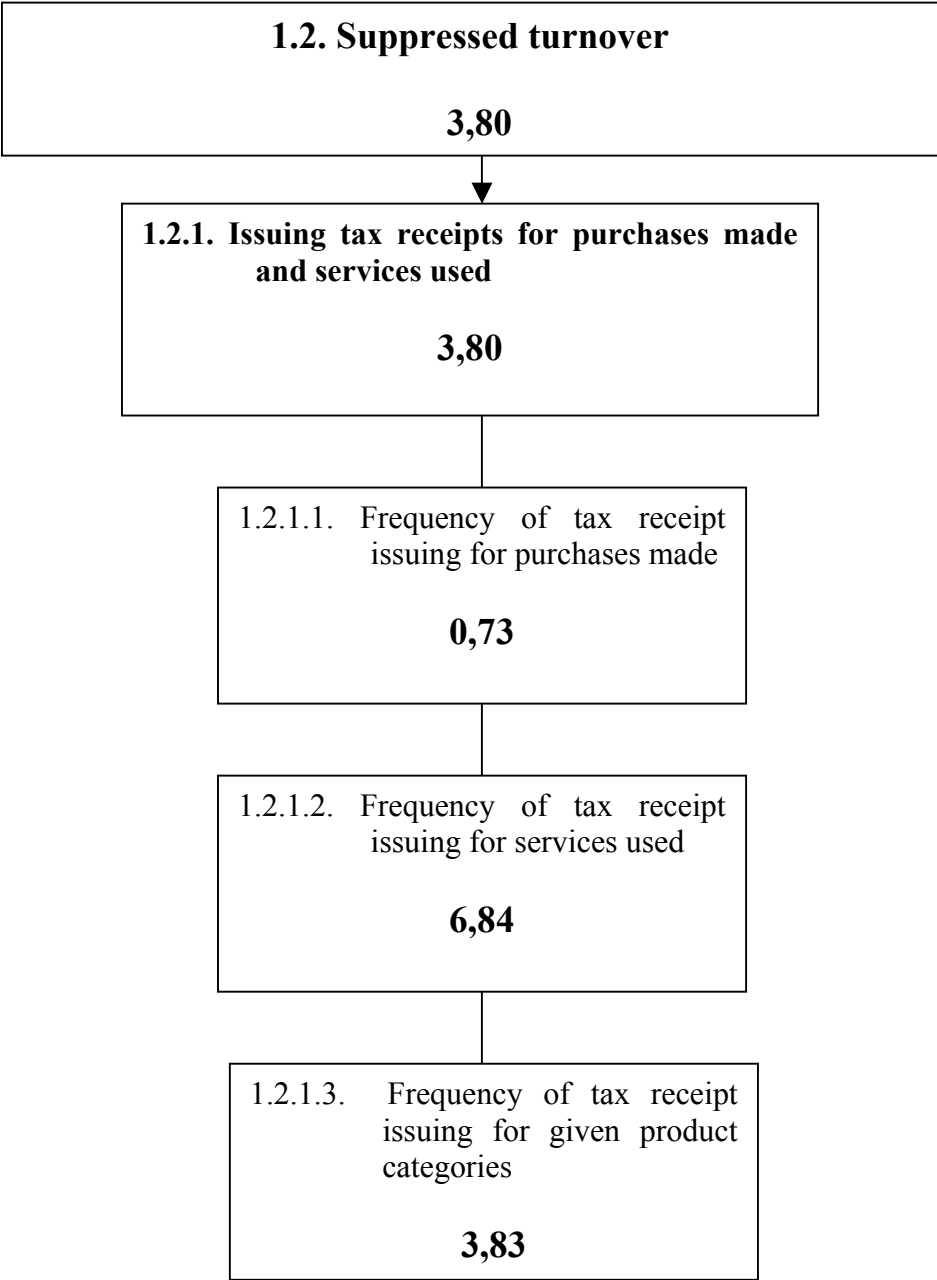


FIGURE 8 NATURAL ECONOMY AND HOME PRODUCTION

